CBA
CALIFORNIA BOARD OF ACCOUNTANCY

UPDATE

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PRESIDENT'S MESSAGE

Marshal A. Oldman, Esq.
President

Welcome to the first 2012 edition of *UPDATE*. As the first non-licensee president in a number of years, I am looking forward to serving as President of the CBA for the coming year. I would like to congratulate our new officers: Leslie LaManna, CPA, Vice President, and Michael Savoy, CPA, our new Secretary/Treasurer. I also wish to thank outgoing CBA President Sally Anderson for her outstanding leadership and am glad that she will continue to be an active member of the CBA. With the help of Sally, as well as other past presidents and CBA members, I can only hope to lead with the level of competency that the CBA deserves and requires.

In the year 2014, CPA licensing requirements will undergo some major changes with the new educational requirements for the 150 semester unit pathway and the elimination of Pathway 1. One of the CBA's top priorities will be performing outreach regarding these changes during this coming year. The CBA has already been working for some time to help colleges, universities, faculty and students prepare for the new educational requirements. New this year, Open Houses will be held in conjunction with select CBA meetings across the state regarding these changing requirements. These meetings will present an opportunity to meet with CBA members and staff to get answers to any questions you may have. Of course, you are also welcome to join us for the CBA meeting being held on the following day.

One of the topics California will be considering this year is mobility. I believe now is the right time to begin examining this issue, and I encourage you to keep informed. If you can't attend a meeting in your area, CBA meetings are available by webcast and meeting materials are available on the CBA website, ***www.cba.ca.gov***.

Finally, the CBA will continue to monitor pending legislation as the Legislature begins to meet this year. Our Legislative Committee, chaired by past President Anderson, will carefully examine each bill having implications for the CBA prior to the CBA taking a position on the legislation. We

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will keep you apprised of what's happening on the legislative front in future editions of UPDATE, as well as through our email notification system, E-News. If you haven't yet signed up to receive E-News, please take advantage of this valuable resource.

In closing, I would like to thank my fellow CBA members and staff for their time and expertise. I am proud to serve as President of the CBA, and appreciate your support.

Marshal A. Oldman, Esq.
President, California Board of Accountancy

GETTING THE WORD OUT

With social media now seemingly here to stay, we continue to explore ways to best use outlets such as Facebook and Twitter to get our message to all of you, our valued stakeholders.

In October and December 2011, we held two live Facebook events focused on CPA licensure, with a spotlight on the new educational requirements for CPA licensure set to take effect January 1, 2014.

These two successful events provided online attendees a forum to ask questions and receive real-time answers. Both events allowed us to supply individuals with important information regarding present and future CPA licensure requirements, while attendees also enlightened us regarding various concerns and issues they are experiencing related to California CPA licensure.

An archive of all previous CBA Facebook events is available on our facebook page. We would encourage you to log onto our facebook page and 'LIKE US' so that you can receive notice of upcoming facebook events.

CBA MEMBERS

Marshal A. Oldman, Esq., *President*
Leslie J. LaManna, CPA, *Vice President*
Michael M. Savoy, CPA, *Secretary/Treasurer*

Sarah (Sally) Anderson, CPA
Diana L. Bell
Alicia Berhow
Michelle R. Brough, Esq.
Donald A. Driftmier, CPA
Herschel T. Elkins, Esq.
Laurence (Larry) Kaplan
Louise Kirkbride
Kitak (K.T.) Leung, CPA
Manuel Ramirez, CPA
David L. Swartz, CPA

COMMITTEE CHAIRS

Enforcement Advisory Committee
Cheryl Gerhardt, CPA
Qualifications Committee
Fausto Hinojosa, CPA
Peer Review Oversight Committee
Nancy J. Corrigan, CPA

CBA STAFF

Patti Bowers, *Executive Officer*
Deanne Pearce, *Assistant Executive Officer*
Rafael Ixta, *Enforcement Chief*
Vacant, *Licensing Chief*
Lauren Hersh, *UPDATE Managing Editor*
Terri Dobson, *UPDATE Production*

MESSAGE FROM THE EXECUTIVE OFFICER

Welcome to the winter 2012 edition of *UPDATE*. I hope you find the information in our newsletter helpful, and the resource links within the articles useful.

With the new year, the CBA is again beginning the thoughtful and rewarding work of creating a new strategic plan. It truly seems like just yesterday that CBA members and staff gathered to brainstorm, create and fine-tune the 2010-2012 Strategic Plan. I'm pleased to say it has served us well as a guide to keep us on course, as well as a yardstick to measure our success reaching important goals.

Much like a business plan, the strategic plan is a critical tool in helping us determine where we want to go, how to get there, and how to know when we've arrived. Work on the new strategic plan will require that we closely review our mission and vision, guiding principles, and goals and objectives. Like the existing 2010-2012 plan, we'll also examine what has worked well and what new challenges have arisen. Once again, we will maintain focus on consumer protection, customer service and ensuring that the CBA is responsive to our many stakeholders.

On that note, we do like to hear from you. Please feel free to drop us a note or fill out our Customer Satisfaction Survey and let us know how we're doing.

Patti Bowers
Executive Officer

UNDER THE DOME

As 2012 begins, the legislative process starts anew. The Legislature reconvened in January and once again is beginning its task of writing new laws. These begin as ideas which are sent to Legislative Counsel to put into the correct form to become a bill. The deadline for ideas was in late January. Newly written bills must be introduced by the author in late February, after which they are heard by various committees of the Legislature. Those that successfully pass the Legislature must be approved by the Governor by the end of September in order to become law.

Here at the CBA, every bill affecting the oversight of the practice of public accountancy is analyzed by staff. These bills are then reviewed by the Legislative Committee, which is comprised of seven CBA members responsible for reviewing each bill and making a recommendation to the CBA. The CBA then considers the bill and the recommendation of the Legislative Committee and takes a formal position that can include positions such as support or oppose.

The CBA will begin taking positions on new legislation at its March meeting. You can watch the deliberations by the Legislative Committee and the CBA on the CBA website (live or archived) or in person. If you see a discussion on a bill about which you have thoughts or concerns, we encourage you to write to your legislators to let them know your position.

Alternatively, you can read about these bills and the position taken by the CBA in the next issue of *UPDATE*.

Quality... Commitment... Results.

APPOINTMENT OPPORTUNITIES TO THE CBA'S ADVISORY COMMITTEES

The CBA is actively recruiting licensees with diversified backgrounds who have the technical skills, the interest, and the commitment to serve on one of the CBA's advisory committees. Being a committee member is an opportunity to actively participate in the regulation of the accountancy profession and become an integral part of an organization charged with providing consumer protection amidst changing consumer demographics and the evolving nature of the profession. Your service benefits both the consumer and the profession.

Committee appointments are for a term of two years; appointed individuals may serve a maximum of four terms. All applicants requesting appointment to a CBA advisory committee must be actively licensed to practice public accounting for a minimum of two years prior to the appointment and, if appointed, must maintain an active license status during tenure on the committee. There must also be no pending enforcement actions against the licensee. Candidates will also be reviewed for any results of Qualifications Committee work paper and continuing education reviews.

The CBA is currently accepting applications for the Enforcement Advisory Committee (EAC) and the Qualifications Committee (QC).

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates and proposes policies and procedures related to the CBA Enforcement Program. This committee is limited by statute to a membership of 13 licensees and meets four to five times a year, generally for one-day meetings, alternating between a northern and southern California city.

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure. This committee is limited by statute to a membership of 16 licensees who have expertise in the preparation of audit and review reports. The committee meets four to five times a year, generally for one-day meetings, alternating between a northern and southern California city.

If membership in a CBA committee interests you, please submit a letter of intent with a resume or curriculum vitae (CV), including your CPA license number to:

Patti Bowers, *Executive Officer*
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

As an alternative, you may submit your letter of intent and resume or CV as attachments via e-mail directly to ***pbowers@cba.ca.gov***. Please do not submit any documents with macros.

Each committee chair will interview qualified applicants and make recommendations for appointments to the Vice President of the CBA.

Committee members receive a per diem of $100 for each day spent in the discharge of official duties and are reimbursed under state policies for travel and other expenses incurred in the performance of committee duties.

If you have additional questions about committee responsibilities, committee member qualifications, or the appointment process, please telephone Patti Bowers, Executive Officer of the CBA at (916) 561-1718 or email her at ***pbowers@cba.ca.gov.***

FUTURE MEETINGS

March 22-23, 2012
CBA/Committee Meetings
Northern California

April 20, 2012
Peer Review Oversight Committee
Southern California

April 25, 2012
Qualifications Committee
Northern California

May 3, 2012
Enforcement Advisory Committee
Los Angeles, California

May 24-25, 2012
CBA/Committee Meetings
Southern California

June 15, 2012
Peer Review Oversight Committee
Northern California

July 12, 2012
Enforcement Advisory Committee
Sacramento, California

July 26, 2012
CBA/Committee Meetings
Northern California

August 1, 2012
Qualifcations Committee
Southern California

August 24, 2012
Peer Review Oversight Committee
Southern California

September 20-21, 2012
CBA/Committee Meetings
Southern California

October 18, 2012
Enforcement Advisory Committee
Los Angeles, California

October 19, 2012
Peer Review Oversight Committee
Northern California

October 24, 2012
Qualifications Committee
Northern California

November 15-16, 2012
CBA/Committee Meetings
Northern California

December 4, 2012
Peer Review Oversight Committee
Southern California

December 13, 2012
Enforcement Advisory Committee
San Diego, California

CBA and committee meetings are open to the public. Consumers, licensees and all interested persons are encouraged to attend. As meeting locations become known, they will be posted on the CBA website at ***www.cba.ca.gov*** and will also be available by telephoning the CBA office at (916) 263-3680.

Public notices and agendas are posted to the website at least 10 days prior to meetings.

All CBA meetings are available to the public via live webcast at ***www.cba.ca.gov***.

Need Information?
THE CBA HANDBOOKS ARE THE PLACE TO GO!

Do you have a question about the Uniform CPA Examination, or how to get your initial CPA license? Maybe you are an out-of-state licensee who wants to practice in California or perhaps you are already licensed here and need information on License Renewal. No matter what question or information you need, the CBA has a handbook to assist you. Please visit our recently revised handbooks in the publications section of the CBA website.

COMFORT LETTERS

You receive what seems to be a simple, harmless enough request from a client or his mortgage broker. "Would you please provide a letter or sign a document verifying that you've been preparing my tax returns and confirming the income from my business?" For a CPA, providing what's known as a "comfort letter" may be neither simple nor harmless.

Comfort letters are usually requested when a client is self-employed, works in a commission-based sales position, or relies on investment income and lacks the documentation to support his or her income claims. The request may not only ask for verification of self-employment, but also verification of income from self-employment, the profitability of a client's business or future income from investments. The letter provides a measure of "comfort" to the lender that the client will have the resources to fulfill the loan obligation. Although more commonplace prior to the mortgage meltdown several years ago, some of our licensees report still being asked to provide such letters.

No Comfort for CPAs

CPAs should be aware of the issues to consider in the matter of comfort letters. While no one enjoys telling a client "no," make certain you have the necessary information to make an informed decision about providing such a letter, and under what conditions you might do so. While CBA regulations may not specifically mention "comfort letters" there are professional standards that may apply, especially in the disclosure of confidential information . Of course, CBA regulations are not the only rules to consider. Professional ethical standards, the Gramm-Leach-Bliley Act and the Internal Revenue Code may all have bearing on your decision.

The issue of comfort letters came to light during the housing bubble and even now through tighter lending practices, CPAs are still dealing with the issue. In a 2009 article, "Concerns About CPA Letters to Third Parties" published in the American Institute of Certified Public Accountants' (AICPA) Journal of Accountancy, the writer raised a number of issues to consider including:

- Could your third-party verification of details in a loan application transfer potential liability to you if your client defaults on the loan?
- Do you have written permission from your client to provide information to a third-party?
- Are you being asked to provide what could be considered an attest letter without having an attest engagement? The writer suggests that unless you have been engaged for an attest and are following the procedures required for an attest engagement, you may be running afoul of professional standards.

For more information on how best to handle requests for comfort letters and to review sample letters provided by the AICPA and CAMICO, check out the links below.

"How CPAs Should Handle Comfort Letter Requests from Lenders, Mortgage Brokers," The CPA Letter, American Institute of CPAs, February 2007. See ***http://www.nccpaboard.gov/Clients/NCBOA/Public/Static/feb07.pdf***

"The Challenge of Providing 'Comfort Letters' for Clients," Activity Review, North Carolina State Board of Certified Public Accountant Examiners, January 2012. See ***http://www.nccpaboard.gov/Clients/NCBOA/Public/Static/01-2012ActivityReview.pdf***

"Third Party Verification Letters" ***http://www.cpai.com/show-article?id=141***

"AON Comfort Letters," American Institute of CPAs, PCPS Firm Practice Center. See ***http://www.aicpa.org/interestareas/privatecompaniespracticesection/resources/cpacomfortletterstolenders/pages/aon%20comfort%20letters.aspx***

Sample comfort letters from CAMICO via Idaho Society of CPAs, See ***https://idcpa.org/resources/comfort.aspx***

THE NEW 20/12 CONTINUING EDUCATION REQUIREMENT AND HOW IT WORKS

The purpose of continuing education (CE) is to maintain or increase a licensee's ability to competently practice public accountancy. To provide the best service to the consumer, the CBA believes that it is important that a licensee be exposed to changes in the public accounting profession by requiring completion of CE (emphasizing technical expertise) throughout the whole of the two-year license renewal period. To that end, as part of the total 80 hours of CE required to renew a license in an active status after December 31, 2011, a minimum of 20 hours of CE, including a minimum of 12 hours in technical subject matter, must now be completed in each year of the two-year license renewal period.

These new requirements mean that, if a licensee is due to renew on January 31, 2012, they are required to have completed a minimum of 20 hours of CE, with 12 of these hours in technical subject matter, during the renewal year February 1, 2010, to January 31, 2011. The second year, from February 1, 2011, to January 31, 2012, also requires completion of a minimum 20 hours of CE, with 12 of the 20 hours in technical subject matter.

If you have questions concerning this new requirement, you may visit our website at ***www.cba.ca.gov***, or contact the Renewal Unit at 916-561-1702, or via email at ***renewalinfo@cba.ca.gov***.

THE SAFE HARBOR LETTER

Last year, the CBA began discussing the issue that CPAs who compile financial statements are subject to peer review while non-licensees who prepare similar financial statements pursuant to Section 4 of the CBA Regulations, are not subject to peer review. This led to a discussion that consumers may not be aware of differences between the two groups providing financial statements and that additional disclosure may be appropriate. To resolve this issue, and to ensure consumers are fully informed, the CBA is proposing to amend the Safe Harbor letter in Section 4 that non-licensees must use when preparing financial statements. The purpose of the Safe Harbor letter is to identify that the service being performed by the non-licensee is not, according to the CBA, the practice of public accountancy.

The public hearing was held on this regulatory proposal at the January 2012 CBA meeting. Currently, the CBA is discussing further modifications to the proposal, and it plans to vote on the final language at its March 2012 meeting in San Francisco.

Should this proposal be approved, it would go into effect later this year. You can follow the progress of this proposal, and other regulatory proposals, on the CBA website at ***http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.***

A CHANGE IN LICENSEE SELF-REPORTING OBLIGATIONS

Since January 1, 2003, licensees have been required to report restatements of financial statements for publicly-traded companies under California Business and Professions Code (B&P Code) Section 5063(b)(1) and California Code of Regulations (CCR) Section 59(a)(1)(A). This requirement was enacted to provide extra protection for California consumers against audit failures following the high profile accounting scandals of 2000 and 2001. Reporting required that the licensee submit a written report of the restatement event, as well as a paper copy of the original and restated financial statements.

A new law, B&P Code Section 5063.10, effective January 1, 2012, eliminates the need to report restatements of publicly traded companies if the restatement is included in any report filed with the U.S. Securities and Exchange Commission (SEC).

Why has this reporting requirement been eliminated? The enactment of the Sarbanes-Oxley Act of 2002 and creation of the Public Company Accounting Oversight Board (PCAOB) has expanded the federal government's oversight of the accounting profession. In addition to licensees reporting restatements to the CBA, licensees must also disclose restatements of financial statements of publicly-traded companies to the SEC. Through exchange agreements, the SEC and PCAOB share with the CBA any sanctions they impose upon a licensee for audit failures of publicly traded companies. Passage of B&P Code Section 5063.10 effectively eliminates redundant and duplicate filings of such restatements at the state level.

While protecting consumers remains paramount to the CBA's mission, consumers can be assured that the elimination of restatement filings at the state level will not negate the CBA's authority nor deter it from exercising its regulatory and disciplinary functions.

CCR Section 59(a)(1)(A) will be amended to coincide with the new Section 5063.10.

Just a reminder, licensees must still report restatements of governmental and non-profit organizations as defined in CCR Section 59.

AVOIDING PEER REVIEW PITFALLS

The CBA, the AICPA and the California Society of Certified Public Accountants (CalCPA) have a wealth of information to assist you in successfully navigating through the peer review process.

If your firm is in the process of preparing for a peer review, the following articles which can be found at ***www.calcpa.org***, may contain information to help you avoid some of the common pitfalls:

- The Lowdown on New Peer Review Regs
- Smooth Sailing Through New Audit Standards
- Devil's in the Details
- Peer Review Program FAQs
- New Peer Review Standards

Further, CalCPA periodically issues e-Newsletters which address new requirements and problem areas that are being encountered. Information in these articles may be useful to firms preparing for a peer review. The e-Newsletter Article can be found at:

http://www.calcpa.org/Content/peerreview/enewsletter.aspx

The AICPA's Professional Standards are available at:

http://www.aicpa.org/Research/Standards/Pages/default.aspx

As always, extensive peer review information can be found on the CBA website at ***www.cba.ca.gov.***

CPA EXAM SCORE RELEASE: TESTING 1-2-3

Are you one of the thousands of California Uniform CPA Examination candidates anxiously awaiting your scores? At the start of the fourth quarter of 2011, the American Institute of Certified Public Accountants implemented a new score release schedule. The National Association of State Boards of Accountancy now receives and releases scores following the first month of the testing window, with subsequent score releases every two weeks for the remainder of the window. This timeline allows for more predictability and frequency than previous release schedules.

If, however, you are one of the many individuals holding out for your Business Environment and Concepts (BEC) score, do not be alarmed if within one to two days of the target release date the score is not released. Some scores in the BEC section might be delayed due to additional analysis that is required for the written communication tasks.

The CBA wishes you success in passing all four sections of the Uniform CPA Examination.

If you have any questions on the score release process, please visit the Uniform CPA Examination Page maintained by the AICPA at ***www.cpa-exam.org***.

It's Almost Time to Say Goodbye...

ELIMINATION OF PATHWAY 1

Answer

- **Baccalaureate degree**
- **24-semester units of accounting subjects**
- **24-semester units of business-related subjects**
- **Two years of general accounting experience**

Question

What was Pathway 1?

Yes...that's correct "What was Pathway 1". The CBA will continue to issue CPA licenses for those that meet the Pathway 1 requirements; however, for those of you that didn't complete any qualifying work experience prior to January 1, 2012, meeting the two-year general accounting experience and thus qualifying for Pathway 1 is no longer a viable option.

If you fall into this group, you will need to either seek licensure under the present Pathway 2 requirements, or meet the new educational requirements taking effect January 1, 2014.

CALIFORNIA LICENSEES MUST SUBMIT PEER REVIEW REPORTING FORM

As the CBA continues the phase-in implementation of mandatory peer review, we would like to reiterate that ALL licensees are required to submit a Peer Review Reporting Form. The form serves two purposes: (1) to report peer review results if you are subject to peer review, or (2) to notify the CBA that you are not subject to peer review.

All firms that issue compilation, review, or audit reports are subject to peer review. Sole proprietors should report peer review results under their individual Certified Public Accountant license number; whereas corporations (COR) and partnerships (PAR) should report results under their COR or PAR license numbers. If you need assistance in determining your specific peer review reporting requirements, please refer to the reporting guidelines at ***http://www.dca.ca.gov/cba/pr_guide.pdf.***

If your license number ends in 34 through 66, your reporting form is due by July 1, 2012. If you fall into this group and need a peer review, you should enroll in the California Society of CPAs' (CalCPA) Peer Review Program immediately. The enrollment form and information about the program can be found on the CalCPA website at ***http://www.calcpa.org/Content/peerreview.aspx.*** CalCPA can be contacted directly by telephone at (650) 522-0394 or by e-mail at ***peerreview@calcpa.org.***

When you are ready to report, the Peer Review Reporting Form is available for online submission via the CBA website at ***https://www.cba.ca.gov/forms/peer_review/***. If you need your unique PIN number, please contact the CBA by telephone at (916) 561-1706 or by e-mail at ***peerreviewinfo@cba.ca.gov***. You can also download a hard copy of the Peer Reviewing Reporting Form from the CBA website or request it directly from the CBA.

For additional information regarding mandatory peer review and reporting requirements, please visit the CBA website at ***http://www.dca.ca.gov/cba/peerreview.***

PEER REVIEW WANTS YOU!

Would you like to give back to your profession? Are you interested in helping firms achieve their accounting and auditing goals and enhance the quality of their practices? If so, you may want to consider becoming a qualified peer reviewer.

When you become a peer reviewer, you:

- Identify best practices of other firms, which can be applied to other peer review clients and to your own firm.
- Gain broader practice knowledge through the peer review process, which will help sharpen your skills and reinforce your strengths.
- Are creating an opportunity to develop an additional profit center for your firm.
- Enhance the efficacy of the profession's self-regulatory efforts and contribute to the quality of the profession.

For additional information on how to become a peer reviewer, please visit the AICPA website at ***http://www.aicpa.org/interestareas/peerreview/community/pages/peerreviewer.aspx***

Questions can be directed to ***BecomeAReviewer@aicpa.org***

WHAT YOU NEED TO KNOW ABOUT RETIRED STATUS

With the enactment of Assembly Bill (AB) 431, the CBA has been authorized to establish, by regulation, a retired status to allow licensees who are not actively engaged in the practice of public accountancy, to have their license placed in a retired status. AB 431 establishes the following requirements to place a license in a retired status:

- A licensee must submit an application for retired status.
- Retired status cannot be granted if the license is canceled, suspended, expired, revoked or otherwise restricted.
- The holder of a license in a retired status must place the term "retired" immediately after the CPA designation on any reference that suggests the person is licensed by the CBA.

While the law established the retired status, regulations are the necessary mechanisms by which the law is implemented. The regulatory hearing regarding retired status was conducted at the January 2012 CBA meeting. By regulation, the CBA has established the following requirements to place a license in a retired status:

- An application (Form 11-R48) to have a license placed in a retired status, along with a $100 application fee.
- A licensee applying for retired status must have held a license as a CPA or public accountant in the United States or its territories for a minimum of twenty total years; and during those twenty years, from the CBA for a minimum of five years in an active status.
- A retired status license must be renewed on a biennial basis, and there is no renewal fee or CE required.
- To restore a license from a retired status to active status, a licensee must meet requirements equivalent to those required to convert an inactive status license to active status. The fee for restoration is based on the amount of time elapsed since the retired status license was granted.
- A licensee can only be granted retired status twice.

The proposed regulations developed to implement the retired status are still pending approval. It is anticipated the CBA will begin accepting applications for retired status sometime in late 2012. The regulations for retired status may be found on the CBA website at ***http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml***

If you have any questions regarding retired status, please contact the CBA at (916) 263-3680 or Fax (916) 263-3675.

TALK TO US

Have a question or comment? An idea for a topic you would find interesting? Even if you'd just like to say "Hi, I really like the new format" you can contact *UPDATE* staff at **update@cba.ca.gov.**

AT A GLANCE: PROBATION

If you are a reader of *UPDATE*, you are likely familiar with the Enforcement Actions contained in each issue. The Enforcement Actions detail the discipline imposed against a licensee with license revocation being the most severe form of discipline.However, discipline does not always result in license revocation.You will read about other forms of discipline that include the phrase "Revocation stayed, with three years' probation…" What does this mean?

It means revocation of a license does not immediately take place. Instead, the licensee is placed on probation with specific terms and conditions that allow continued practice rights for the licensee. Adherence to the specified terms and conditions of probation are then monitored by the CBA.

The purpose of probation is to ensure consumer protection and assist in the rehabilitation of the licensee.The period of probation is generally three years. During the probationary period, licensees are required to submit quarterly reports and appear in person at interviews/meetings as directed by the CBA to report on compliance with the terms of probation. Upon successful completion of probation, the license is fully restored.

The terms and conditions of probation typically consist of two parts: standard conditions of probation (included in all cases of probation) and optional conditions of probation (included in cases where appropriate). The CBA Disciplinary Guidelines and Model Disciplinary Orders contain both the standard and optional terms and conditions. The standard terms of probation apply to nearly all licensees on probation and are published in every issue of *UPDATE* in the Enforcement Process section. Optional conditions of probation are determined case-by-case, based on the specific cause for discipline, and may include: taking additional CE, Supervised Practice, Administrative Penalties, Maintaining an Active License, to name a few.

There are approximately 70 licensees on probation at any given time. Probation monitoring is a collaborative effort between the CBA and the licensee. Once the disciplinary process is complete, the matter is referred to the CBA Probation Monitor for tracking and compliance with the terms of probation. Each condition of the probation is monitored to ensure compliance. If the licensee fails to comply with the terms that have been established, the CBA may revoke the probation and carry out the disciplinary order that was stayed. Typically this is revocation of the license.

YOUR OPINION MATTERS

Let us know how we're doing! The CBA is committed to providing a high level of customer service to its clients. A fundamental element to ensuring this is the collection of feedback from individuals that contact the CBA. The CBA welcomes you to fill out the new and improved CBA Customer Service Survey, available at ***https://www.cba.ca.gov/forms/survey***. We look forward to hearing from you!

BY THE NUMBERS

6,699	Number of first-time applications to take the CPA Exam (2011) - *CBA*
2,110	Largest number of students in the nation at one school taking the CPA Exam - University of Southern California (2010) - *AICPA*
60.2%	Highest percentage of students from a California college or university passing the CPA Exam (both first-time and repeat) - UC Berkeley (2010) – *AICPA*
3,623	Number of new applicants for California CPA licensure (2011) – *CBA*

UNDERSTANDING ASSEMBLY BILL (AB) 1424

With the passage of AB 1424, the CBA is required to deny an application for licensure, and to suspend any applicant or licensee whose name appears on either the Franchise Tax Board (FTB) or Board of Equalization (BOE) certified list of top 500 tax delinquencies over $500,000. This new law, effective July 1, 2012, also prohibits the CBA from reimbursing any money paid for the issuance or renewal of a license that is suspended or denied pursuant to AB 1424.

If an applicant's or licensee's name is found to be on the FTB or BOE list of top 500 tax delinquencies, the individual must satisfy the outstanding tax obligation or enter into a payment agreement with the FTB or BOE within 90 days of a preliminary suspension notice, or risk having their license suspended. A license will remain suspended until the CBA receives a release from the FTB or BOE.

The FTB and BOE are working to expand their current lists of tax delinquencies from 250 to 500. These expanded lists will be available soon. The FTB list is available at: ***www.ftb.ca.gov/individuals/txdlnqnt.shtml*** and the BOE list can be found at: ***www.boe.ca.gov/cgi-bin/deliq.cgi***.

ENFORCEMENT PROCESS

When the CBA receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by enforcement staff, often accompanied by a licensee's appearance before the CBA Enforcement Advisory Committee.

Following this investigation, a recommendation is made to either (1) close the case with no violation of the Accountancy Act or CBA Regulations; (2) require the licensee to take prescribed CE; (3) issue a citation and fine; or (4) refer the case to the Attorney General's Office for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the CBA, or the matter may be settled. The CBA may either accept the proposed decision or decide the matter itself. Please note that CBA actions reported here may not be final. After the effective date of the CBA's decision, the licensee may obtain judicial review of its decision. On occasion, a court will order a stay of the CBA's decision or return the decision to the CBA for reconsideration.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary and/or enforcement actions are available on the CBA website or by sending a written request to: California Board of Accountancy, Attention: Disciplinary/Enforcement Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow ten days for each request.

STANDARD TERMS OF PROBATION

The CBA may revoke, suspend, or impose probation on a license for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the CBA on a form obtained from the CBA. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the CBA or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the CBA or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the CBA, and cooperate fully with representatives of the CBA in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of the respondent's professional practice. Such "practice investigation" shall be conducted by representatives of the CBA, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the CBA.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the CBA in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not

CONTINUED ON PAGE 15

STANDARD TERMS OF PROBATION CONTINUED FROM PAGE 14

apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the CBA costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the CBA.

- If respondent violates probation in any respect, the CBA, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary and/or enforcement order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

ENFORCEMENT DEFINITIONS

Accusation
A formal document that charges violation(s) of the California Accountancy Act and/or California Board of Accountancy Regulations by a licensee. The charges in the accusation are allegations. Allegations are not a final determination of wrongdoing and are subject to adjudication and final review by the CBA pursuant to the Administrative Procedure Act.

Cost Recovery
The licensee is ordered to pay the CBA certain costs of investigation and prosecution including, but not limited to, attorney's fees.

Default Decision
The licensee failed to file a Notice of Defense or has otherwise failed to request a hearing, object, or otherwise contest the accusation. The CBA takes action without a hearing based on the accusation and documentary evidence on file.

Effective Date
The date the disciplinary decision becomes operative.

Probation
The licensee may continue to engage in activities for which licensure is required, under specific terms and conditions.

Reinstatement
A revoked license that is restored, not sooner than one year from the date of revocation, to a clear or inactive status after petition to and approval by the CBA. Reinstatement may include probation and/or terms and conditions.

Revocation
The individual, partnership, or corporation no longer is licensed as a result of a disciplinary action.

Stayed
The action does not immediately take place and may not take place if the licensee complies with other conditions (such as a probation term).

Stipulation
The matter is negotiated and settled without going to hearing.

Surrendered
The licensee has surrendered the license. The individual, partnership, or corporation no longer is licensed. The CBA, however, may impose discipline against a surrendered license in certain circumstances. Surrender also may require certain conditions be met should the former licensee ever choose to reapply for licensure.

Suspension
The licensee is prohibited for a specific period of time from engaging in activities for which licensure is required.

ENFORCEMENT ACTIONS

REVOCATION OF CPA CERTIFICATE THROUGH DECEMBER 28, 2011

HO, LINH KHANH NGUYEN

McLean, VA (CPA 97205)

CBA ACTIONS

Revocation of CPA license, via default decision.

Effective December 28, 2011

CAUSE FOR DISCIPLINE

Accusation No. AC-2011-12 contains the following allegations:

On or about June 13, 2007, Ms. Ho entered a plea of guilty to a violation of Virginia Code section 18.2-178 (obtaining money by false pretenses) in Commonwealth of Virginia vs. Linh Khanh Ho, in the Circuit Court of Fairfax County, Virginia; Case No. FE-2007-675. The circumstances involving the conviction are that on or about December 4, 2006, Ms. Ho feloniously obtained by false pretense or token, with intent to defraud, good and lawful currency of the United States in excess of $200.00, property of Commerce Bank.

On or about January 21, 2010, the Texas Board of Accountancy issued an order revoking Ms. Ho's Texas certificate and requiring Ms. Ho to pay an administrative penalty of $20,000 and $469.74 in costs.

Ms. Ho failed to report her conviction for violating Virginia Code section 18.2-178 (obtaining money by false pretenses).

Ms. Ho failed to respond to the CBA inquiry regarding her conviction and the Texas discipline.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5100(a), (d), (g), (k) and 5063. California Code of Regulations, Title 16, Division 1, §§ 52 and 99.

OTHER ENFORCEMENT ACTIONS NOVEMBER 28, 2011 – DECEMBER 28, 2011

DE SIMONI, CHARLES OSCAR

Fontana, CA (Applicant)

CBA ACTIONS

Upon meeting all pre-licensure requirements, a Certified Public Accountant license will be issued to Mr. De Simoni and be immediately revoked. However, the revocation will be stayed and Mr. De Simoni will be placed on five (5) years' probation. Mr. De Simoni shall follow all standard terms of probation. Decision via stipulated settlement, with admissions.

Effective November 28, 2011

CAUSE FOR DISCIPLINE

Mr. De Simoni completed an application for licensure on May 13, 2011. On July 29, 2011, the CBA denied the application. On October 20, 2011, Statement of Issues No. SI-2012-8 was filed containing the following allegations as grounds for denial:

Mr. De Simoni was convicted of violating 21 U.S.C. Section 952(a), Importation of Heroin into the United States, a felony, on November 20, 1997. The crime was substantially related to the qualifications, functions, and duties of a certified public accountant.

Mr. De Simoni committed an act involving dishonesty, fraud or deceit with the intent to substantially benefit himself or others when he attempted to smuggle five (5) pounds of heroin into the United States.

The CBA also alleged such acts, if done by a licentiate, would be grounds for revocation or suspension of licensure.

VIOLATION(S) CHARGED

Business and Professions Code, Division 1.5, Chapter 3, § 480; Division 3, Chapter 1, § 5110. California Code of Regulations, Title 16, Division 1, §§ 99 and 99.1.

OTHER ENFORCEMENT ACTIONS NOVEMBER 28, 2011 – DECEMBER 28, 2011

RODRIGUEZ, BOLIVAR EDUARDO and STUMP DAVIS GREENBERG, ACCOUNTANTS INCORPORATED

Playa Del Rey, CA (CPA 33631, COR 1607)

CBA ACTIONS

Revocation stayed with three years' probation, via stipulated settlement.

Respondents shall reimburse the CBA in the amount of $12,000 for its investigation and prosecution costs.

Other standard terms of probation.

Effective December 28, 2011

CAUSE FOR DISCIPLINE

Accusation No. AC-2009-37 alleges that Respondents were grossly negligent and committed repeated acts of negligence by failing to complete and file requisite financial and tax documents in a timely manner for tax years 2000 through 2006 for a client. Respondents failed to comply with professional standards by issuing financial statements to the same client for the month of July 2007 that did not include a compilation report and Respondents did not have an engagement letter with said client documenting the services to be performed.

The Accusation also alleged that Respondent Rodriguez failed to respond in a timely manner and with true and accurate information to CBA inquiries related to Respondent's work.

Respondents understand and agree that the charges and allegations, if proven at hearing, constitute cause for imposing discipline.

VIOLATION(S) CHARGED

Business and Professions Code, Division 3, Chapter 1, §§ 5100 (c), (g) and 5062. California Code of Regulations, Title 16, Division 1, §§ 52(a) and (d) and 58.

POLICY OF NONDISCRIMINATION ON THE BASIS OF DISABILITY AND EQUAL EMPLOYMENT OPPORTUNITY

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its program and activities.

An Americans with Disabilities Act (ADA) coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Subscribe to E-News @ www.cba.ca.gov.

CALIFORNIA BOARD OF ACCOUNTANCY DIRECTORY

www.cba.ca.gov

The CBA is committed to providing the highest level of customer service, and staff are here to help answer questions you may have regarding our programs. We strive to answer all incoming calls live, but during peak periods you may get a voicemail instead of a live person. If you leave us a voicemail message, staff will return your call within one business day or, if you prefer to contact us via e-mail, all e-mail messages are returned on average within three business days. For your convenience, we have provided contact information below for the different organizational units and functions at the CBA.

CBA UNIT	AREAS OF EXPERTISE	CONTACT INFORMATION
Administration	= License Status Check = General Questions	(916) 263-3680 www.dca.ca.gov/cba/lookup.shtml
Examination	= Examination applications = Educational requirements = Exam Scores = Name Changes (Exam Candidates) = Transcripts	(916) 561-1703 (916) 263-3677 Fax examinfo@cba.ca.gov
Initial Licensing *(Individuals)*	= Licensing application process for individual licenses = Name Changes (CPAs and Licensing Applicants) = Wall/Pocket Certificate Replacement = Certification of Records	(916) 561-1701 (916) 263-3676 Fax licensinginfo@cba.ca.gov
Initial Licensing *(Firms, Partnerships, Fictitious Names)*	= Licensing application for partnerships, corporations and fictitious name permits	(916) 561-4301 (916) 263-3676 Fax firminfo@cba.ca.gov
License Renewal	= Name Change = License renewal, continuing education requirements = Changing license status = Fees due	(916) 561-1702 (916) 263-3672 Fax renewalinfo@cba.ca.gov
Practice Privilege	= Out-of-state licensees wishing to practice in CA = Account log-in information	(916) 561-1704 (916) 263-3675 Fax pracprivinfo@cba.ca.gov
Enforcement	= Filing a complaint = Disciplinary actions = Ethical questions regarding CPA practice	(916) 561-1729 (916) 263-3673 Fax enforcementinfo@cba.ca.gov To access a complaint form, go to www.dca.ca.gov/cba/consumers/complain.shtml
Peer Review		(916) 561-1706 peerreviewinfo@cba.ca.gov
Outreach Event Scheduling		outreach@cba.ca.gov

We are always looking for ways to improve our customer service practices.
Please let us know how we served you by taking our online Customer Satisfaction Survey at ***https://www.cba.ca.gov/forms/survey.***

If you are unsure where to direct your questions, please contact our main phone number at **(916) 263-3680**.

ADDRESS CHANGE FORM

A separate address change notice must be submitted for each license type.

PLEASE PRINT

Name of Applicant for Licensure

Last | First | Middle

Name of Licensee

Individual (CPA/PA) - License No. _____

Last | First | Middle

Name of Firm

◯ Corporation ◯ Partnership ◯ Fictitious Name License No. _____

Firm Name

NEW Address of Record *(An Address of Record is Required)*

Be advised that if you are a licensed CPA/PA or firm, your address of record is public information, and all CBA correspondence will be sent to this address.

◯ Home ◯ Business (check one)

Business Name (if different from name above)

Street ◯ Apt. # ◯ Suite # (check one)

City | State | Zip

Former Address of Record

Street ◯ Apt. # ◯ Suite # (check one)

City | State | Zip

Alternate Address for Mail Drops and PO Boxes

If your address of record is a PO Box or Mail Drop, you are required to provide a street address. This address will not be posted on the CBA's Web License Lookup.

Street ◯ Home ◯ Business (check one) ◯ Apt. # ◯ Suite # (check one)

City | State | Zip

Daytime Phone Number

- -

Area Code

You may confirm your change of address on License Lookup at *www.cba.ca.gov.*

I certify the truth and accuracy of all of these statements and representations.

Signature _____ Date _____

Print your name _____

A licensee who fails to notify the California Board of Accountancy within 30 days of a change of address of record may be subject to citation and fine (fines ranging from $100-$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3, 95 and 95.2.

◯ The CBA maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. *Please Note: Your name and address of record is public information and can be accessed through our website at www.cba.ca.gov.*

This form is being provided for your convenience. Other forms of written notice may be accepted by the CBA.
MAIL TO: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832 or **FAX TO:** (916) 263-3675

California Board of Accountancy
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CBA | UPDATE

WINTER 2012 ISSUE NO. 68

The CBA's newsletter, *UPDATE*, is digital. You can sign up for E-News and be notified by e-mail when the newest edition of *UPDATE* is available or you can continue receiving *UPDATE* by mail. Please visit **www.cba.ca.gov** and select your preferred method of delivery.

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